

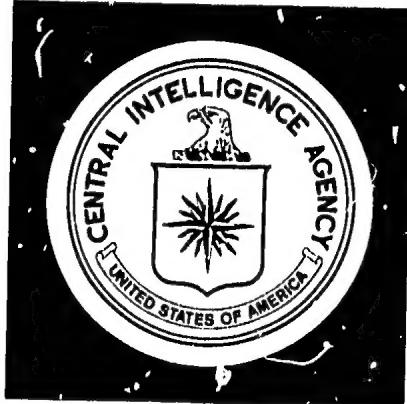
Approved For Release 25X1
2008/11/18 :
CIA-RDP85T00875R001100130

Approved For Release
2008/11/18 :
CIA-RDP85T00875R001100130

2066/72

25X1

Secret



DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Venezuela: A Coming of Age

CIA
DOCUMENT SERVICES BRANCH
FILE COPY
DO NOT DESTROY

Secret

88

7 September 1972
No. 2066/72

Page Denied

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY
 Directorate of Intelligence
 7 September 1972

INTELLIGENCE MEMORANDUM

Venezuela: A Coming of Age

The campaign leading to presidential elections in December 1973, already in its early stages, should provide a test for a new political generation. Venezuela has succeeded in its first experiments in democracy, having for practical purposes tamed the military establishment, buried the insurgency, and validated a multiparty political system. Unlike its lesser developed neighbors, Venezuela has the wherewithal to move ahead. The country's wealth is vast, and its population of 10 million is small enough that it has a real possibility of providing an affluent society for all. But Venezuela has yet to set a long term policy regarding the source of its riches, oil. Without further development of the industry, which almost certainly will require an accommodation with foreign investors, oil revenues will soon dwindle and the country's economic advance will slow down.

The realization that serious decisions have to be made, the availability of a real choice among presidential candidates, and a general disappointment in the democratic process have reawakened a sense of national inadequacy bred by years of violent dictatorship. The democratic parties are worried that the voters will not face up to the future, but will instead seek security by opting for a rerun of "the good old days" offered by former dictator Marcos Perez Jimenez.

Note: This memorandum was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates.

SECRET

25X1

SECRET

25X1

The Changing Scene

In one way, the opening of the election campaign typifies the vigorous competitive politics that Venezuela developed after more than a century of political despotism under dictator after dictator. Although the money at this early point is on the two establishment parties, the ruling Christian Democrats (*Copei*) or the opposition Democratic Action Party, the outcome of the election is very much in doubt. There is a possibility of a swing to one extreme or the other; a series of polls shows a huge bloc of uncommitted and disenchanted voters, all of whom by law must cast a ballot. Uncertainty is underlined by a continuing rise in the popularity of the country's most recent dictator, Marcos Perez Jimenez, who--unlike aged counterparts in Colombia and Argentina--is a healthy 58 years of age.

Much of the electorate has soured on the democratic experiment. For most people the lifting of the political dictatorship has been irrelevant. They are too young to have been personally touched by the Perez years, but are well aware of the relentless tyranny of poverty. Ten years of social reform under Democratic Action (1958-68) governments improved the lot of relatively few. The *Copei* promise of a "change" in 1968 also remains largely unfulfilled. The common impression that only the rich get richer is borne out by statistics. In addition, a rise in crime and delinquency contributes to and feeds on the social malaise generated by inadequate housing, health facilities, nutrition, and employment opportunities.

The economic elite is also worried about what the politicians have wrought. Witnessing an about face on the part of *Copei*, which they lavishly funded in the last election, wealthy families have begun a clandestine do-it-yourself political action campaign. They are by various tactics trying to discredit those who threaten their privileged economic position and to persuade the man-in-the-street that his interests are their interests. Behind this growing politicization of the rich is a serious lack of confidence in the abilities of the

25X1

SECRET

SECRET

25X1

THE COMPETITION

COPEI

The incumbent Christian Democrats, who came to power with less than 30 percent of the vote. Candidate, Lorenzo Fernandez.

AD

Democratic Action, the party of internationally renowned ex-president Rómulo Betancourt. Ruled Venezuela from 1958-68 and has continued to enjoy the largest bloc in congress. Candidate, Carlos Andres Perez.

NEW FORCE

Uneasy coalition of pragmatic leftist Democratic Republican Union (URD); the Peoples Electoral Movement (MED); which split from AD in 1967; and the Venezuelan Communist Party (PCV). Candidate, Jesus Paz Gallaraga.

MAS

Independent Nationalist Communist group. Movement to Socialism, which split from Soviet-run PCV in 1970. Candidate, Jose Vicente Rangel.

PEREZJIMENISTAS

The diffuse followers of ex-dictator Marcos Perez Jimenez, who may be a candidate or for whom a surrogate candidate may be chosen.

25X1

SECRET

SECRET

25X1

political leaders. The impact these manipulators will have on the political scene represents yet another unknown in this season's political mix.

The upsurge of nationalism over the last couple of years produces still other political variables. Venezuela is no longer regarded as the safehaven for US investment it once was. On the contrary, the capital needed for its flagging petroleum industry will not be forthcoming unless the next government re-creates a climate favorable to outside investment. This may not be politically feasible given the popularity of anti-US nationalism.

On the other hand, the two establishment parties, which together claim a clear majority of the vote, have agreed that petroleum policy and certain other basic factors of national development should not be involved in partisan politics. If it lasts, this understanding could constitute a stable keel for holding the country to a rational course.

The Party Lineup

The Ins

All the parties have shifted their stand since the last election. Perhaps one of the strongest signs that the political system has matured, for better or worse, is the diminished role ideology plays in the quest for power. The reign of Copei has been the key to the transition from experimental democracy to a system based on a cool, objective interpretation of self-interest. Every party, left, right, or center, recognizes that the nation has reached a crossroads and believes the stakes in the election next year are especially high. Every party also recognizes that the country's financial dependence on oil in the foreseeable future is a built-in monitor of how far the nationalist game should be pushed. In essence, all the important political groups, rhetoric notwithstanding, are fairly well rooted in reality.

Copei's victory in the last election of 1968 invigorated the multiparty character of Venezuelan politics. It provided a test of the country's

SECRET

25X1

SECRET

ability to get along with Betancourt and his party, the architects of Venezuelan democracy, at the sidelines. *Copei* has its ration of "ideologues," but the administration has acted in highly pragmatic ways in its search for an effective way to govern.

At first, the *Copei* government had the look of a political disaster. *Copei* held the presidency, but it did not control the congress and lacked experience. Caldera's first year in office was one of frustration. It was marked by economic difficulties, harassment by the opposition, labor and student problems, and military jitters. Caldera's astuteness and dignity nevertheless finally won him a high degree of popular respect, an agreement from the major opposition party to cooperate on matters of national interest, and, at last, a government on the move.

Under Caldera, Venezuela is playing a new game in foreign affairs. The country is no longer bound by Betancourt's strict recognition doctrine under which relations were severed with governments not based on democratic principle. Caldera has greatly expanded Venezuela's official contacts. The country now has diplomatic ties with African and Communist countries, and has played a greater role in regional affairs. Unlike its Andean-oriented predecessor, *Copei* has looked north as well as south and has worked hard at intensifying Venezuela's influence in the Caribbean nations. The two serious border disputes--with Colombia and Guyana--have been put on ice.

Venezuela's most important bilateral relations are with the US, and *Copei* has taken what has had the appearance of a brave and daring road. Caldera's critics believe he has led the country unnecessarily far from the safe and tested way of dealing with the US, on which Venezuela still depends for markets and for capital and technology. *Copei* decrees and legislation in the last two years have greatly narrowed the profits of US and other foreign oil companies and have interfered with their operations to such an extent that the companies claim they can no longer function. The circuitous route

SECRET

SECRET

25X1

Caldera has taken in developing his policies toward the US has moved his critics to say he had no plan and whimsically acted and reacted in fits and starts. Anti-US harangues and other expressions of "nationalism" and "statism" have frightened not only foreign investors but Venezuelan businessmen and other local conservatives as well.

While, in his dealings with the US, he has taken serious risks with Venezuela's future, he may come out all right. Current signs point to an accommodation between Venezuela and the US. If so, Caldera would be able to reap the political harvest of having taken on the locally despised oil companies and the US Government without, in the end, jeopardizing Venezuela's vital economic ties or much else. Caldera's government seems to feel very confident that Venezuelan oil is important enough to US security that Washington will tolerate some tweaking from Venezuelan nationalists. Caracas seems confident, too, that the oil companies will continue to find enough profit in Venezuela to stay on for the next phase of development of the industry there. As the Venezuelans see it, the companies predictably sound the death rattle when the host government tries to squeeze an extra few pennies per barrel out of their profits; then, having passed price increases on to the consumer, just as predictably go on operating with ever larger profits.

On the domestic scene, the *Copei* government has turned out to be something of a relief after years of turmoil: no loud saber rattling from the military, no real guerrilla threat, a relatively calm labor scene, and a relaxation of border tensions. Although the continual student street disruptions are hard to gloss over, some progress has been made against the formidable student problem, at least on the university level. *Copei* has a word for the new tranquility, "pacification," and the copeyanos are proud of it, particularly since the author of the policy is their nominee to succeed Caldera, Lorenzo Fernandez, former minister of interior.

SECRET

SECRET

25X1

Copei is entering the election contest with confidence. The party recognizes that it has lost some of its 1968 constituency, most conspicuously its wealthy backers. But the seriousness of the loss is softened by party access, this time around, to the government coffers. The party will try to keep its losses among the lower classes to a minimum with a big public works effort in the poor and crowded bairrios. Even though its candidate is a far from magnetic figure, his affable and conciliatory nature may have an appeal of its own in the turmoil of the campaign. Copei is not making a good showing in current polls, but its leaders feel they have the skills, the organization, and the money to win in 1973.

...And the Outs

Democratic Action, the other centrist party, has been the largest party and may be again in 1973. Among the myriad reasons for its failure to collect the presidency along with the congress in 1968, one stands out: the party split of 1967. When the 1968 elections roiled around, the party had made a phenomenal recovery, but short of the mark. The party's candidate was only 30,000 votes behind Caldera. Of course, in 1968, Democratic Action had the advantage of controlling the government--the source of campaign funds which permitted last-minute voter-oriented public works on a scale not seen even during the free-spending days of Perez Jimenez.

This time around, the party is united. Its image of strength, decisiveness and effectiveness is intact. Although it comes across as highly conservative and does not appeal much to the youth, it does attract the middle and upper classes who have been alarmed by Caldera's leftward swing. Like Copei, Democratic Action will not be hurting for funds, but unlike the government party, it is picking up more votes than it is losing at this stage. The party has almost rebuilt the solid labor support it enjoyed before the 1967 schism and seems to enjoy respectable support across a fairly broad spectrum of society.

25X1

SECRET

SECRET

25X1

Whether it can convincingly parlay the role it has adopted over the past three years into the presidency is a question worrying the party leaders. They have struggled, under Caldera's administration, with the temptation to oppose him unrelentingly, but for the most part they have followed more honorable--and pragmatic--instincts to ally with Caldera on such legislation as served their purposes. Now they are saddled with the tactical problem of how to attack Copei for election purposes without damaging their own credibility. The party campaign was hampered by the prolonged indecision of its eminent leader, Romulo Betancourt, on whether to accept the presidential nomination. After Betancourt's decision not to run, a party convention in mid-August conferred the party standard on 50-year-old Carlos Andres Perez, whose candidacy marks the retirement of the party old line in favor of younger leaders.

Had Betancourt chosen to run, he probably would have been a somewhat stronger candidate than Perez, who is identified nationally as a tough anti-Communist policeman. His uncompromising methods during the late 1950s and early 1960s in the Ministry of Interior led the opposition-controlled legislature to censure him in 1963 for alleged violations of the constitution. While some think this background makes him a weak candidate, others see it as a strength.

...and the Farther Outs

While both major parties think they can--and deserve to--win, neither dismisses forces on the right or left. Both are aware of an extremist tendency based on the public's unhappiness that democracy, like dictatorship, has principally served the elite. Contrast between haves and have-nots in Venezuela is particularly sharp because of the extreme opulence of the wealthy in this oil-rich land.

In contrast to the center, neither the left nor the right has political organization as its forte. The left has two main groups. The larger, the New

SECRET

25X1

SECRET

25X1

Force, is an uncomfortable coalition of three parties: The People's Electoral Movement, which split from AD in 1967; the Democratic Republican Union, the personal vehicle of erratic political perennial Jovito Villalba; and the Venezuelan Communist Party. The New Force has nominated Jesus Paz Gallaraga, a less-than-popular wheeler-dealer, as its presidential candidate. Although their combined vote in 1968 was about 30 percent, all three parties have lost considerable strength. A smaller leftist group, but the one appearing to have greater potential, is the Movement to Socialism. This party broke away from the Communist Party almost two years ago, taking with it most of the party's youth and intellectual lights. It was to this movement that the renowned Colombian novelist, Gabriel Garcia Marquez, (One Hundred Years of Solitude) recently presented his \$20,000 Romulo Gallegos prize for literature. The movement is sponsoring the candidacy of a respected leftist independent, Jose Vicente Rangel.

The orthodox political right is small, diffused in several elitist groups, very rich, and very unpopular. These people are important in the political race principally as financial angels. They take much of the credit for the change of government in 1968, and they are scrutinizing the various nominees for another winner.

The outstanding figure on the right and the would-be spoiler of the elections is, of course, ex-dictator Marcos Perez Jimenez. Perez Jimenez can claim numerous small parties as supporters; the largest of these, the Nationalist Civic Crusade, amazed even itself in 1968 by walking away with 11 percent of the vote. Since then, the *perezjimenista* phenomenon has gained momentum, to the alarm of all conventional political groups. Perez lives in golden exile in Madrid, but a short visit to Venezuela this summer raised his popularity still further. Perez is a self-announced presidential candidate, but majority opinion is that the assassination risk is too high for him to conduct the campaign in person and that he may run in absentia or appoint a surrogate.

25X1

SECRET

SECRET

25X1

Whither the Uncommitted?

Yet the threat of Perez Jimenez haunts the political scene. Last month 90 prominent Venezuelan intellectuals warned of the threat to democracy posed by the "forces of a corrupt period gone by." The signers of the document range over the entire ideological gamut. This highly unusual show of unity among strong individualists of widely differing convictions is a testimony to the continuing rise in the stock of the old dictator. Professional polls of voter sentiment over and over relay two messages: that a third or more of the voters are undecided about which party they favor, and that Perez Jimenez is a favorite political personality for many.

Views differ about what all this means. The popular interest in a caudillo figure seems clear. Some surveyors of public opinion detect a higher percentage of favorable response to photos of Perez in uniform than to those of him in mufti. This observation coincides with an evident growing desire for a law-and-order candidate. Most obviously, *perezjimenismo* is only incidentally tied to the man. Its true source is a serious alienation of the people from their government.

Many of the political manipulators remain undecided about whether their interest lies in bucking Perez or in climbing on his bandwagon. The New Force alliance is a reminder that no union is too unholy for Venezuelan politics. Copei leaders have confided that some means will be found to keep Perez out, but like many others, they maintain lines to the Perez camp and aim to keep their options open. This cynicism deeply disturbs Perez' archenemy, the Democratic Action Party. Thus, in one way or another, Perez has become one of the major issues in the campaign.

The new political activism on the part of the leading families stems from disenchantment with the center parties and political trends. This became evident some months ago when several industrialists

25X1

SECRET

SECRET

25X1

formed a semiclandestine organization called Progress in Liberty Association

25X1
25X1
25X1

[redacted] Now even the biggest and most influential association of entrepreneurs, *Fedecamaras*, has openly expressed its intent to use political and social, as well as economic, issues and channels to defend its own interests. *Fedecamaras'* greatest concern is the tendency to equate nationalism with state ownership and government intervention. Businessmen foresee not only leftists but all parties vying for leadership of this trend.

Several efforts to counter this trend are at work. One group of about a dozen businessmen meets weekly to plan a mainly propagandistic counterattack. One of its projects was the publication of a large poster showing the leftist candidate, Rangel, with a machine gun concealed behind his back. A member of this group spoke of his worry about *Copei's* demagoguery and of his own inclination to support Democratic Action this time. This sentiment is echoed in other rightist groups. Adding to elitist fears are studies of popular attitudes indicating strongly negative feelings toward private enterprise among the working class. Some wealthy Venezuelans are beginning to believe that the leftist parties may have more appeal in the 1973 elections than has been thought.

25X1

The Campaign: Important, Possibly Dangerous

The trend leftward, the failure of three administrations to meet public expectations of democratic rule, and the seemingly irrational esteem for the man whose brutality was a curse for ten years have

25X1

SECRET

SECRET

brought a mood of insecurity on the nation as the election campaign opens. Only a few years ago, the Venezuelans' pride over the survival of their democracy despite years of foreign-sponsored guerrilla harassment was unbounded. Now there's a gnawing sense that the competitive democratic system is both unsuited to Venezuela's unruly politics and ineffective at distributing the country's riches more equitably. The two major parties and other vested interests are haunted by the idea that the centrist competition will somehow open the field to the menace of Perez Jimenez on the right or Rangel on the left.

There will be many political shifts over the next 15 months, or some unheralded event may completely alter the national mood. At stake in the election is whether Venezuela will remain a progressive, relatively prosperous nation. Venezuela's future is tied to the oil industry, and the declining oil outlook--the result of insufficient exploration in recent years--can best be offset by opening new areas to exploration under terms reasonable to investors. If the decline is not reversed, the country cannot count on oil revenues to maintain its past rate of growth. Given the long lead times needed to develop additional reserves, delay in deciding how to proceed will mean either less money for national development, higher taxes for Venezuelans, or recourse to nationalist solutions. The question is whether felt political imperatives will destroy possibilities for securing necessary capital from abroad. So far the major parties seem willing to work together on these basic matters, but this rational approach may not withstand the heat of a highly competitive political campaign.

SECRET